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*The China Commercial Brief is a biweekly publication featuring summaries about developments in China's various commercial sectors, tips on doing business in China, and U.S. Embassy news. This publication is free of charge; please forward it to your colleagues and friends who are interested in China.*

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**News Briefs**

*In addition to the article summaries provided by CS Beijing, our four China branch offices - Chengdu, Guangzhou, Shanghai and Shenyang - submit summaries of commercial articles from their local press to the CCB on a rotating schedule. This week we are pleased to feature two separate contributions from our Shanghai & Shenyang posts.*

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1. Waste Disposal Facilities For Guangdong Have Been Incorporated into China's State Plan

Correspondent in Guangzhou - Thirteen hazardous waste and medical waste disposal projects have recently been incorporated into the "State Plan for Construction of Hazardous Waste and Medical Waste Disposal Facilities", jointly published by the State

Environment Protection Administration of China and the National Development and Reform Commission.

The thirteen projects that have been listed into the State Plan include one provincial radioactive waste warehouse project (located in Guangzhou), four hazardous waste disposal projects (located in Guangzhou, Shenzhen, Huizhou and Maoming respectively) and eight medical waste disposal projects (located in Foshan, Shaoguan, Jiangmen, Meizhou, Dongguan, Shantou, Zhaoqing and Zhongshan, respectively). In 2006, when the construction of these projects is completed, the capacity for disposal of hazardous waste and medical waste in this Province will be significantly improved, safeguarding people's health and safety of environment.

The State Plan for Construction of Hazardous Waste and Medical Waste Disposal Facilitations was reportedly approved by the State Council. Pursuant to the Plan, 31 comprehensive hazardous waste disposal centers will be set up nationwide by 2006, and the capacity to dispose hazardous waste will be increased by 2.82 million tons per year; and 300 medical waste disposal facilitations will be set up to increase the capacity of medical waste disposal to 2,080 tons per day; in addition, 31 radioactive waste warehouses will be rebuilt or extended, and the space increased will reach 15,300 m<sup>3</sup>. The State will provide monetary support to these projects listed in the Planning based on their own circumstances.

*(Source: Guangzhou Daily, 04/18/2004-Translated by FCS Shanghai)*

## **2. New Natural Gas Pipelines May Create Export Opportunities for Equipment Suppliers**

SINOPEC has announced details concerning its plans for the construction of a 4887 km. pipeline to run from Russia to various points in Northern China. When completed the pipeline route will carry natural gas to cities in the Northeast that currently face a shortage of natural gas. When natural gas supply becomes reliable and price competitive, centralized heating systems for residential use and industrial heating systems may shift from reliance on coal to natural gas to fuel boilers. Therefore, manufacturers of gas-fired boilers may discover new business opportunities arising from completion of the pipeline in the Northeast and Central Northern areas.

SINOPEC expects to complete four natural gas lines and two underground gas storage areas by 2008. The Shanjin I Line will run from Shanxi Jingbian to Tianjin and Beijing. This line together with Dagang Oil Field will supply Tianjin with 1.15 billion cubic meters of gas in 2008. The Shanjin II line will supply the Northern provinces of Hebei, Shanxi and Shandong, including the cities of Beijing and Tianjin. The Beijing-Qinhuangdao-Shenyang-Dalian line will start from Beijing and bring the gas to Qinhuangdao (Hebei Province), Shenyang and Dalian (both located in Liaoning Province). The gas needed for this line will be transmitted to Beijing from Changqing Gas District (located in Shanxi Province) and Qinghai Gas District (located in Qinghai

Province) through the West-East Pipeline and the Shanjing II Line, then runs from Beijing to Qinhuangdao, Shenyang and Dalian.

*(Source: China Petroleum News, 04/13/2004-Translated by FCS Shenyang)*

### **3. China On-line Game**

In 2003, according to China Information World, China had 114 kinds of formal operation networking games. Among those games, 62 of the games require a fee to play. Since then, 8 of those games have ceased operation.

In 2003, about 20 million people played the on-line games in China. The market of networking games amounted to USD 420 million (RMB 3.47 billion), which was an increase of 266% over 2002. It is estimated that in 2004 the total amount will reach USD 750 million (RMB6.2 billion). The domestic networking game industry is still in its initial period, with most enterprises small scope and lacking R&D funds. Presently, China has 4 kinds of networking game incubators:

1. Companies with good capital and operating ability, such as Sheng Da company.
2. Companies with its own R & D team, such as Kingsoft company.
3. Companies imported foreign sources code and further develop it into the networking game.
4. Joint venture companies such as "Shanghai Sina LeGu Company" operating their own products.

*(Sources: China Information World 05/10/2004- Translated by Cao Shujuan)*

### **4. International Talents Enlighten Mascot Design for Beijing Olympics**

Designers and experts from China's mainland, Hong Kong, Taiwan, Australia, the United States and many other countries discussed the designing guidelines and core concept of the Mascot of the Beijing 2008 Olympic Games at a symposium held in Beijing.

The symposium was organized by BOCOG in preparation for Beijing 2008 Olympic Mascot Design Competition to be launched in May this year. It was part of the Olympic Image and Landscape program carried out by Beijing. Officials of the BOCOG Culture and Ceremonies Department briefed the participants on the plan of collecting mascot designs for the Beijing Olympics.

BOCOG Vice-President Jiang Xiaoyu said at the symposium that the Mascot should be a symbolic image with profound content, attractive appearance and high market value. He said the Beijing Olympic Mascot should also be one of the most recognizable images in the world.

Experts made presentations on such topics as the theme of the Beijing Olympic Mascot, the strategy of mascot design, the utilization of mascot and the design of Olympic image

and landscape. They also exchanged experiences on designing the mascot for the Atlanta and Sydney Olympic Games. The participants include designing experts, designing company executives, representatives of art and designing colleges and academies, Olympic experts and BOCOG officials.

*(Source: [www.beijing-2008.org](http://www.beijing-2008.org), 04/26/2004- Translated by Cai Hongying)*

## **5. China becomes world's second largest radio broadcasting market**

China has become the world's second largest radio broadcasting market with more than 1,000 broadcasters for the 1.3 billion people in 340 million families, next only to the United States, according to a recent rating by Nielsen Media Research.

The rating reveals half of China's population above the age of 15 listen to radio broadcasts every week. In the nation's capital Beijing, nearly 50 percent of the residents listen to the radio for 14.5 hours a week on average. In its biggest city Shanghai, 93 percent of the citizens tune in radio programs for an average 14 hours a week. The figure is close to that of other international metropolises such as Sydney and Singapore.

Radio broadcasting has remained an important means of communication and advertising in China despite the strong impact of the Internet and television. This is a result of diverse and colorful programs provided by local radio stations, as well as the growing number of private car owners in China who often tune in for broadcast news, music and other entertainment programs during their car rides.

News broadcasting is the most popular radio programs in Beijing and Shanghai, and the Nielsen Media Research rating shows the road traffic news of Beijing Communications Radio and the morning news of Shanghai People's Broadcasting Station draw the largest number of listeners in the two cities respectively. As China opens wider its media sector in line with its World Trade Organization commitment, it is predicted that more international broadcasters will seek to enter the Chinese market.

*(Source: CEIS New Service, 05/11/2004- Translated by Qiu Jing)*

## **6. Energy Consuming Industry Intensifies Lack of Electricity in China**

According to statistics, China experienced a lack of electricity the first quarter of this year. 24 provinces and cities have to limit the usage of electricity, among which, Zhejiang, Shanxi, Hebei, Fujian, Hunan, Ningxia seriously lack enough electricity to meet their demands.

According to National Grid Corporation, there will be a total lack of 30 million kilowatts of electricity this year. So far, China's total power operation capacity is 40 million kilowatts leaving a gap of 10 million kilowatts to meet this year's total demand. In addition, there were 15 to 20 million kilowatts gap left over last year. These add up to a total gap of 30 million kilowatts. According to National Grid, this situation will persist until 2007.

*(Source: China Economic Times, 10/05/2004- Translated by Xu Ye)*

## **7. New Regulations on Registration of Combination Products of Drug and Medical Devices**

To strengthen the inspection and management of combination products of drug and medical devices, the SFDA issued the Notice on Issues of Combination Products of Drug and Medical Devices (hereby called the Notice) according to the stipulations of the "Drug Law" and "the Medical Device Inspection and Management Regulations."

The Notice addressed respectively the management of the registration of combination products of drugs and medical devices, band-aids containing anti-bacterial and antibiotic drugs, and poultice type of products made from traditional Chinese medicine for external use.

The Notice pointed out that among the combined products where the drug plays the key role and the medical device plays an assisting role to the drugs (e.g., pre-filled syringes with drugs), the products should be registered as drugs and handled by the SFDA's Department of Drugs.

For those products where the medical device plays the key role and the drug plays an assisting role (e.g., stints containing drugs, catheters coated with antibiotics, condoms with drugs, and contraceptive rings with drugs), the products should be registered as medical devices and handled by the SFDA's Department of Medical Devices. As part of the registration process for products in this category, the SFDA will also require drug experts to inspect and evaluate the drugs that are used in conjunction with the medical devices.

Products that should be registered as drugs and handled by the SFDA's Department of Drugs also include band-aid products containing anti-bacterial and antibiotic drugs, and the poultice type of products made from traditional Chinese medicine intended for external use.

*(Source: China Medical Newspaper, 04/24/04- Translated by Sun Shuyu)*

## **8. China starts research coal liquefaction to face oil shortage**

China has set up its first coal liquefaction research center in Shanghai, a strategic move to deal with the country's increasingly serious oil shortage. Three energy and industrial companies, Shenhua Group, Shanghai Huayuan Group and Shanghai Electric Group, jointly invested over USD 12 million (RMB 99 million) in the center.

The center mainly explores direct and indirect coal liquefaction technologies, under which coal is broken down into small molecules with hydrogen to form oil molecules for diesel, gasoline and other petroleum products after refining. The center will also become a research headquarters providing technology support and engineer training for China's first coal direct liquefaction project involving USD 3.3 billion (RMB 27 billion) in North China's Inner Mongolia Autonomous Region. The project is invested by Shenhua Group and will operate its first production line by 2005 with an annual output of 1 million tons

of gasoline. It is expected to process 15 million tons of coal to produce 5 million tons of oil products with four more production lines by 2008.

Chinese government hopes the coal-to-oil technology can be used to increase oil supply in the short term if oil imports slow down or oil prices surge, despite its much higher costs than normal oil products.

*(Source: China Mining News, 04/15/2004 -Translated by Michael Mei )*

## **9. Hydrogen-powered cars show great market potential in China**

According to industry analysts, auto sales in China will exceed four million units by 2005. Coupled with strong growth in commercial vehicle sales, this will also drive strong demand for petroleum. The explosion in demand for family sedan vehicles in China shows no signs of abating. In just the last three years, sedans have risen from 30 percent of the motor vehicle market in 2002, reaching a projected 50 percent for 2004. In addition to the percentage, the overall market has also grown so that the number of sedans produced in 2004 will approximately equal the entire motor vehicle production for 2002.

**The market:** As the market for new cars expands and more and more families are able to afford an entry-level vehicle, the demand for petroleum has kept pace. China currently has a total of 24 million registered motor vehicles. The number is expected to reach 30 million by 2005. According to the statistics from the Development and Research Center of the State Council, China will become the largest car consumer within the coming ten years. However, China will need 450 million tons of petroleum by 2020, of which 60 percent will have to be imported. The fast growth of China's motor vehicle market has dramatically increased the demand for petroleum.

China is ranked the second largest country in the world, which has been seriously polluted by carbon dioxide. China's major cities all try to reduce the exhaust pollution, which is becoming worse with the increasing number of motor vehicles.

**The opportunities:** China has seen the development of hydrogen-powered motor vehicles as one of the strategies to relieve its energy shortage and gas pollution. China's tenth Five-Year Plan (2001-2005) for its industrial development, the Ministry of Science and Technology invested USD 48 million (RMB 400 million) to develop hydrogen-powered cars.

As China makes effort on the development of hydrogen-powered cars, they will need the latest technology and production equipment. China must still import a number of key technologies and equipment to manufacture hydrogen-powered vehicles and this is a good niche for American suppliers of related technologies and production systems.

*(Source: China Auto News, 04/16/2004- Translated by Bai Ying)*

## **10. China Railcom to invest USD 1.2 billion (RMB 9.92 billion) in 2004**

China Railcom, one of the six major telecom carriers in China, is expected to invest USD 1.2 billion (RMB 9 billion) in 2004, of which, USD 725 million (RMB 6 billion) will go to infrastructure construction and USD 363 million (RMB 3 billion) will be used to retool and improve its existing network.

With such an investment, China Railcom expects to recruit 10 million wire-line telephone subscribers, 700,000 broadband users in order to generate revenues of USD 1.2 billion (RMB 10 billion) and a profit of USD 12 million (RMB 100 million) in 2004.

As a late-comer in the market, China Railcom will focus its efforts on data, intelligence network, IP, teleconference, and voice messaging services to attract more corporate users.

China Railcom, formerly affiliated to the Chinese Ministry of Railway, was put under the supervision of China's State-Owned Assets Supervision and Administration Commission on January 20 and renamed "China Railcom Group Co., Ltd.".

Last year, China Railcom realized USD 863 million (RMB 7.14 billion) in business revenue, an increase of 41 percent from the previous year.

*(Source: China Economic Information Service (CEIS), 04/21/2004 – Edited by Wang Jianhong)*

## **Consulate News: Shanghai & Shenyang**

*In keeping with our goal of making the CCB a more integrated publication, our four China branch offices - Chengdu, Guangzhou, Shanghai and Shenyang - submit consulate news to the CCB on a rotating schedule. This week, we are pleased to feature separate contributions from both CS Shanghai & Shenyang.*

### **CS Shanghai tackles a continuing surge of interest in the East China market.**

Growing at more than 10% annually and receiving more than 50% of all foreign direct investment into China, Shanghai and its surrounding provinces have seen the great interest among U.S. companies continue unabated. In the last two months, CS Shanghai has for major U.S. franchising organizations brought two dozen Chinese entrepreneurs to the U.S.; for three leading U.S. firefighting equipment providers, organized a seminar for approximately 30 senior Chinese firefighting officials; for delegations from the United States and cities of New York, Miami, Oregon, Dallas, Nevada, Wisconsin and Utah, organized numerous briefings and networking events; for a dozen U.S. companies, organized a U.S. pavilion at the Nanjing New Products Show that received extensive press coverage; and developed partners for U.S. companies and trade associations, and brought together 30 local Chinese industry associations. Separately, CS Shanghai has continued to develop expertise about the first phase of the \$1 billion Shanghai Deepwater Port construction project, which includes a 32 km causeway and five deepwater berths. This project, on schedule and to be completed by the end of 2005, should hold many

opportunities for U.S. exporters of construction materials, port equipment and environmental protection equipment.

However, this boom is bringing some growing pains. As we head into the summer months, many foreign invested enterprises are concerned about the supply of electricity in Shanghai, and some companies already reported rationing. Shanghai is adding new capacity but experts expect a short fall for the next 2 - 3 years. U.S. firms offering products, equipment and services in the power generation and distribution sector, on site power generation and generator sets and energy efficiency technologies and products should find opportunities in the immediate term. While the Chinese Government has recently announced a policy to slow down China's galloping economy, some commentators express concerns whether officials can manage a soft landing.

*For more information on CS Shanghai and the Shanghai consular region, visit our website at <http://www.buyusa.gov/china/en/Shanghai.html>*

### ***Shenyang :***

Acting Consul General visited Liaoyang (an hour south of Shenyang by road) on April 26 at the invitation of the Mayor, to see the city's economic situation and development plans; the visit included a tour of Liaoning' Province's second-largest private enterprise, the Zhong Wang Group, which produces plastic and aluminum products. The Zhong Wang Group buys equipment and raw materials (especially aluminum) from the U.S., and exports some of its door and window assemblies to the Los Angeles area.

*For more information on CS Shenyang and the Shenyang consular region, visit our website at <http://www.buyusa.gov/china/en/Shenyang.html>*

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